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Report of the Inter-Agency Procurement Services Office

Summary

The present biennial report is submitted by the Administrator for the information of the Executive Board, pursuant to Executive Board decision 96/2. It provides an update on the activities of the Inter-Agency Procurement Services Office (IAPSO) Bureau of Management from June 1998 to June 2000.

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Introduction

1. The Inter-Agency Procurement Services Office (IAPSO) serves as coordinator of and adviser on procurement best practices to Governments, in particular programme country Governments, organizations of the United Nations system, and other partners in development. IAPSO undertakes activities designed to harmonize procurement procedures, support transparency, standardization and cost-effectiveness in the procurement process. Acting as the focal point, IAPSO facilitates the business community's access to and business transactions with the United Nations system. UNDP provides for these activities under its biennial support budget appropriation for operational activities of the United Nations system. The biennium support budget provides for one third of the operational budget of IAPSO activities.

2. IAPSO provides a wide range of advisory and direct procurement services to Governments, United Nations organizations and other partners in development. These services are provided on a self-financing basis from fees charged. In the biennium 1998-1999, the total income received by IAPSO for these services was $7.1 million, of which $5.4 million was used to finance the operational budget of IAPSO during the biennium. IAPSO has accumulated income of $4.2 million from its fees. This serves as an operational reserve to support IAPSO procurement services. Detailed information on the direct procurement activities is contained in chapter II below.

3. Finally, in a separate report (DP/1999/34), IAPSO provides the Executive Board with statistics on the United Nations system procurement for 1998.

I. Activities involving best practices

A. Capacity-building initiatives

4. IAPSO supports both the UNDP, the United Nations system and, in the context of national execution, programmes of country Governments, by providing learning opportunities for United Nations system staff and the staff of national Governments.

5. In 1998 and 1999, IAPSO conducted 11 regional procurement training workshops in Tanzania, Nepal, Turkey, Bolivia, Kazakhstan, Switzerland, Armenia, Paraguay, Côte d'Ivoire, China and Mozambique.

6. These courses covered both local and international procurement. They are designed to strengthen local capacity, to manage procurement in a cost-effective manner and to identify the benefits of effective and transparent procurement. In total, some 447 participants attended these courses. Additional courses were provided by IAPSO in New York in 1998 and 1999, specifically for the staff of UNDP and other United Nations organizations.

B. Support to the business community

7. IAPSO provides a range of services designed specifically to support the business community. As coordinator of procurement activities for the United Nations system, IAPSO provides facilities on its web site and encourages all United Nations organizations to use this facility to publish procurement opportunities. Furthermore, IAPSO provides links to other United Nations organizations that publish procurement notices on their web sites.

8. IAPSO annually publishes the General Business Guide (GBG) in English, French and Spanish in both electronic and hard-copy format. This contains detailed information concerning each United Nations organization and their annual requirement for procurement of both goods and services. The GBG provides an overview for suppliers of the United Nations system and details on common principles and practices of procurement along with contact addresses of United Nations organizations, country offices and peacekeeping missions.

9. IAPSO continues to coordinate and conduct seminars for the business community on how to do business with the United Nations. Seminars were organized in cooperation with other United Nations organizations in Beijing, Melbourne, Muscat, Tallinn, New Delhi, Buenos Aires, Tel Aviv, Brussels, Stockholm and Copenhagen.

C. Support to United Nations activities

10. On behalf of 12 United Nations organizations, IAPSO manages the United Nations Common Supplier Database (UNCSD). This is a joint venture, which provides suppliers to the United Nations system with

the option of registering in UNCSD as a single gateway to the United Nations system. UNCSD was launched in 1998 and has over the first two years of its use proved to be a valuable tool to a number of United Nations organizations.

II. Direct procurement activities

11. The volume of procurement handled by IAPSO has continued to grow. IAPSO handled $71.3 million in 1998 and $66.5 million in 1999. This represents an increase of 15 per cent over the previous biennium. Table 1 provides a breakdown of IAPSO procurement activities by product group, while table 2 provides a breakdown by client group. A significant increase has occurred in IAPSO support to UNDP and to programme countries under national execution.

12. IAPSO has provided considerable support to UNDP activities under the Oil for Food Programme in Iraq. Support to this UNDP project for the rehabilitation of the electricity network in Northern Iraq has included direct procurement of technical equipment and motor vehicles. In 1999, orders were placed amounting to $5 million, primarily for power generators. It is anticipated that the procurement volume in 2000 could be in excess of $25 million. This will include power generators and transmission and distribution equipment.

13. IAPSO has provided support to the United Nations Administration Mission in Kosovo (UNMIK). IAPSO assisted in setting up procurement procedures and practices and advice and guidance to government ministries. The procurement volume in 1999 was some $5 million; it is anticipated that in 2000 a similar or greater procurement volume will be undertaken.

14. The IAPSO mandate, as reaffirmed by the Executive Board in 1996 (DP/1996/7), authorizes IAPSO to provide procurement services on a self-financing basis to United Nations staff. IAPSO has traditionally offered procurement services for motor vehicles to staff of United Nations organizations, international finance institutions and staff of organizations that serve as development partners. In all cases the facilities are provided only to staff members eligible for diplomatic privileges.

Collective pricing agreements

15. As detailed in the report of the Administrator on the activities of IAPSO for the biennium 1996-1997 (DP/1996/7), the Consultative Committee on Administrative Questions has recognized that standardization programmes and centrally negotiated prices for common-user items would have potential for significant savings for the United Nations system. Based on aggregate annual United Nations purchasing volume, IAPSO has traditionally undertaken open international competitive bidding for the supply of common-user items to the United Nations system.

16. IAPSO has traditionally disseminated information concerning the availability and eligibility of the collective pricing agreements by issuing "catalogues" to eligible customers. These catalogues provided details of the products available and information concerning country-specific indications and delivery modalities.

17. In 1999, IAPSO undertook a survey of clients to assess the specific needs of the various IAPSO client groups, to determine the quality of the service provided by IAPSO and to identify additional requirements from IAPSO clients. After reviewing feedback from current IAPSO clients and potential clients, IAPSO improved services by providing on-line access to collective price agreements, which had traditionally been available only through hard-copy catalogues.

18. Two significant points were consistently identified throughout the survey. First, there was a considerable lack of awareness among potential IAPSO clients regarding the range of services offered by IAPSO, including access to collective pricing agreements for products other than motor vehicles. Second, clients aware of the services offered in the traditional hard-coy catalogues indicated that, though useful, they were not always available when required. Furthermore, IAPSO is aware that the traditional process of disseminating this information is costly and time consuming.

19. In reviewing the possible options through which to address these issues, it was apparent that the Internet provided an appropriate vehicle, both in raising awareness among clients in giving IAPSO the opportunity to provide clients with reliable, up-to-date enhanced information at significantly less cost.

20. Details of all products available to eligible clients under collective pricing agreements are posted on the IAPSO web site. This will enable clients to access details of available products, the specifications for the products, estimated delivery information and, with a secure identification and password, details of the pricing available under the collective pricing agreements.

21. IAPSO has currently Internet catalogues available for motor vehicles, motorcycles, office equipment and software. It is anticipated that in 2000 Internet catalogues will be developed for information-technology equipment, generators and heavy trucks.

22. In May 2000, IAPSO implemented the first phase of electronic commerce through its web site. This facility enables clients to request full quotations, including insurance, freight charges and handling fee. Automated quotations are provided by e-mail normally within 24 hours after review by an IAPSO procurement associate. This process is currently under review to ensure that eligible clients receive fully automated quotations immediately. In the long term, IAPSO plans to enter fully into electronic commerce. This would involve both electronic ordering by IAPSO to suppliers and receiving electronic orders from eligible clients over the Internet.

23. IAPSO has implemented a security package specifically designed to provide enhanced security for electronic-commerce transactions over the Internet. As an interim measure, while electronic transactions from both clients and to suppliers will take place, they will be backed by hard-copy documentation to ensure that the requirements of UNDP financial rules and regulations are met and that there is an adequate audit trail for transactions.

24. IAPSO is discussing the expanded use of its web site for the dissemination of collective price agreements with other United Nations organizations and international finance institutions.

III. Executive Board action

25. The Executive Board may wish to:

(a) Take note of the report of the Administrator on the activities of IAPSO in 1998 and 1999 (DP/2000/33) and its contribution to the coordination of efforts to enhance capacity and to promote more effectiveness and transparency in the procurement process;

(b) Encourage IAPSO support to UNDP country offices and operational activities through the expanded use of the Internet for the dissemination of information;

(c) Recommend within the context of United Nations reforms and common services that IAPSO continues to explore ways in which expanded use of collective pricing agreements can be coordinated with other entities of the United Nations system.

Annex

Table 1
IAPSO procurement by major product group (1998-1999)
(In millions of United States dollars)

	1998		1999	
Product group	*Amount*	*(Per cent)*	*Amount*	*(Per cent)*
Motor vehicles and spares	55.1	77.3	45.8	69.0
Computer equipment	6.4	9.0	8.3	12.5
Office equipment/furniture	3.6	5.0	2.4	3.6
Agricultural/water supply equipment	0.9	1.2	0.4	0.6
Audio-visual/communication equipment	1.1	1.6	1.1	1.6
Laboratory equipment	0.4	0.5	0.0	0.0
Power generators	0.2	0.2	5.0	7.5
Other	3.6	5.2	3.5	5.2
Total	71.3	**100.0**	66.5	**100.0**

Table 2
IAPSO procurement services by client group (1998-1999)
(In millions of United States dollars)

	1998		1999	
Client group	*Amount*	*(Per cent)*	*Amount*	*(Per cent)*
Non-governmental organizations, donor Governments, bilateral and international development entities	21.5	30.1	33.7	50.6
Programme country Governments	27.9	39.2	21.3	32.0
UNDP	4.2	5.9	4.4	6.7
United Nations organizations	3.7	5.1	3.8	5.7
United Nations and eligible diplomatic staff members	14.0	19.7	3.3	5.0
Total	71.3	**100.0**	66.5	**100.0**